



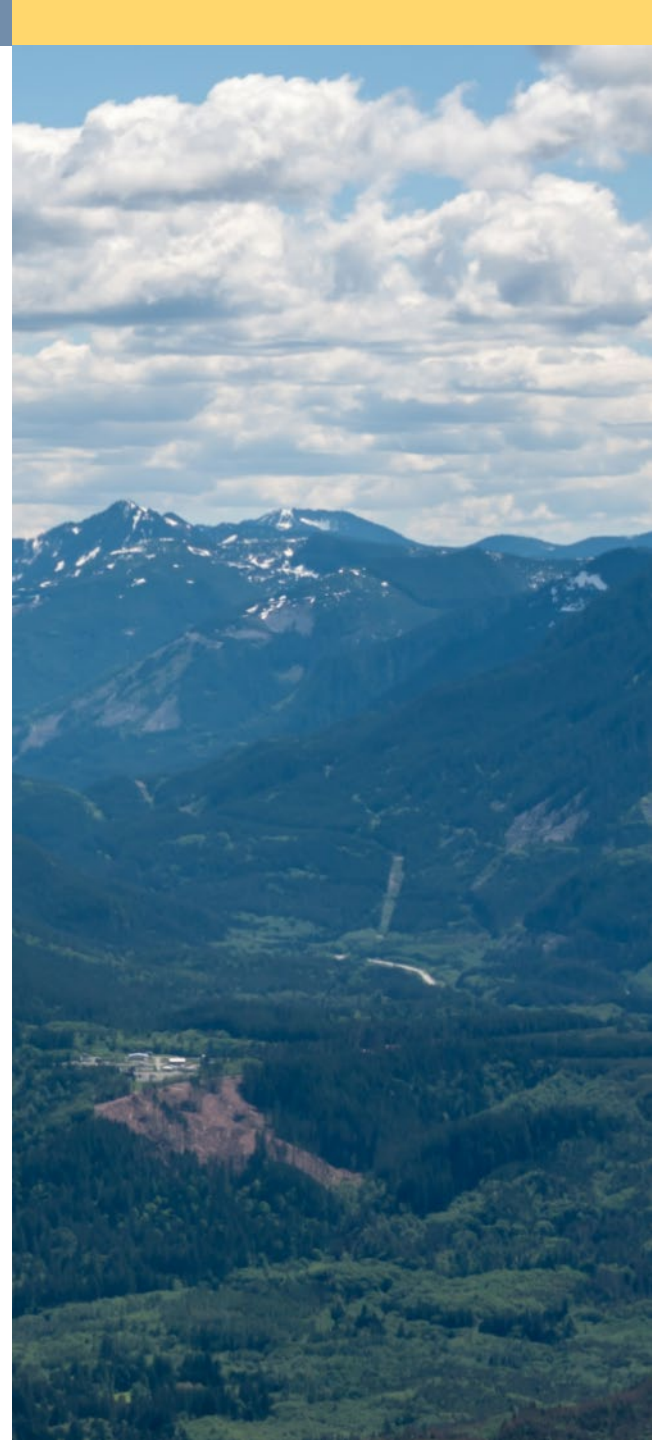
DEPARTMENT OF
ECOLOGY
State of Washington

Cap-and-Invest & Clean Fuel Standard Updates

Senate Environment, Energy, & Technology
January 11, 2023

Implementation Update

- First auction: Feb. 28, 2023
 - Allowances: 6,185,222
 - Announced: Dec. 20, 2022
- Prior to auction:
 - Real-time walkthrough of auction bidding process with opportunity for anonymous questions
 - One-on-one assistance to entities on auction platform, emissions reporting, and policy questions
 - Trainings





Linkage

- Planning the exploratory process to determine if linkage would be appropriate under statutory criteria
- Will include robust outreach and engagement with Tribes, businesses, environmental justice organizations, and the public
- January: More information and public engagement opportunities

Auction Prices and Proceeds

- Floor price: \$22.20
- Ceiling price: \$81.47
- CA/QC (Nov. '22): \$26.80
- Futures contracts: \$30 - \$35
- Updated ECY projections: \$32.65

<i>\$ in thousands</i>	FY23	FY24	FY25	FY26	FY27
Total Auction Proceeds	\$ 483,745	\$ 957,521	\$ 901,902	\$ 730,953	\$ 592,371
Carbon Emissions Reduction	\$ 127,341	\$ 356,697	\$ 366,558	\$ 359,117	\$ 359,117
Air Quality and Health Disparities	\$ 20,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Climate Investment	\$ 336,404	\$ 590,824	\$ 525,344	\$ 361,803	\$ 223,614

Projections are inherently unstable due to lack of real data. Ecology encourages conservatism in appropriations prior to completion of CY23 auctions.

Compliance Costs & Schedule

- No entity has yet incurred compliance costs
- Entities do not have to pre-pay for their emissions; first compliance deadline is not until 2024
- Program is designed to provide flexibility for entities to determine most cost-effective operational and compliance strategy



Price Impacts and Misinformation

- Program covers entities with more than 25,000 metric tons of emissions per year
- Cap-and-invest does not impose a tax on fuels or any other product.
 - Business are not required to change operations or raise prices
- Widespread misinformation, unlikely estimated allowance prices, and misunderstanding and mischaracterizations of how the program functions

Exempt Fuels

Agricultural operations

Aviation

Marine use outside of WA

Exported fuels

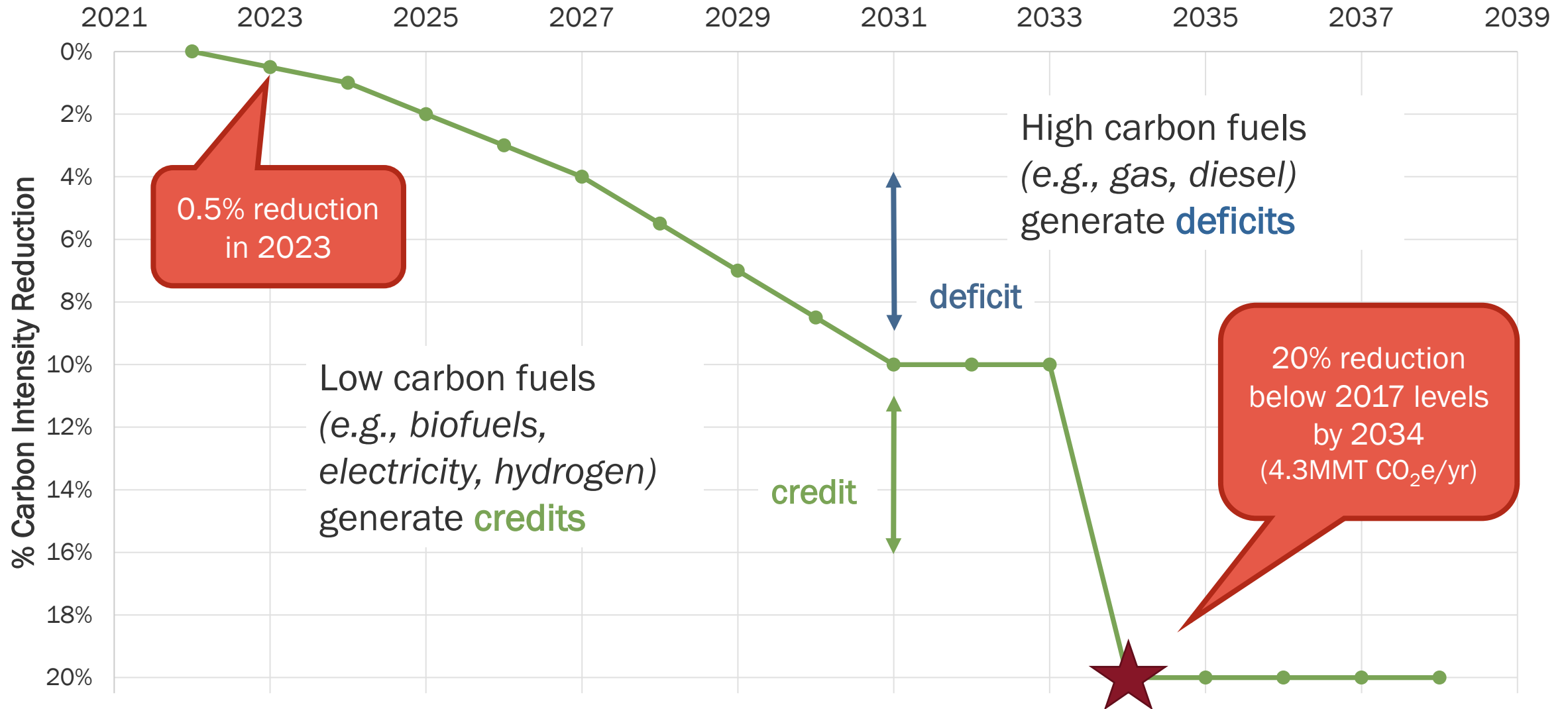
Biofuels



DEPARTMENT OF
ECOLOGY
State of Washington

Clean Fuel Standard

How does Clean Fuel Standard work?



Regulated & Opt-in Fuels

Regulated Fuels

(must participate)

Gasoline

Diesel or diesel fuel

Ethanol and blends 10 to 100%

Biomass-based diesel and blends

Fossil CNG, LNG, L-CNG

Propane/LPG

Hydrogen, compressed or liquefied

Any other liquid or non-liquid fuel

Opt-in Fuels

(may participate)

Alternative Jet Fuel

Bio-CNG, bio-LNG, or bio-L-CNG

Electricity

Exemptions

Permanently Exempt Uses

Aircraft

Vessels

Railroad Locomotives

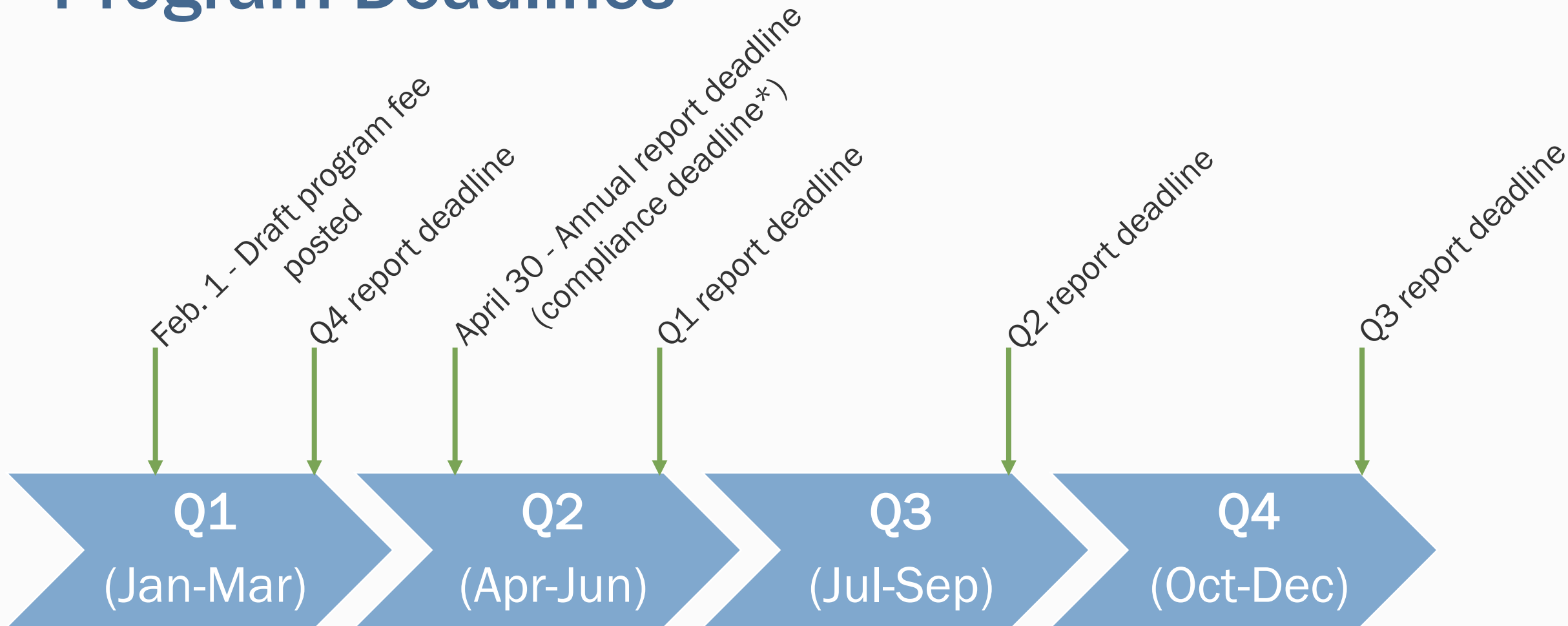
Military tactical vehicles

Exempt Uses Through 2027

Dyed special fuels for offroad construction, logging, and mining

Dyed special fuel for agricultural use

Program Deadlines



Credits are generated as soon as quarterly reports are verified by Ecology

*2023 compliance obligations are deferred to 2024

Clean Fuel Standard and gas prices

- Gas prices are driven by world events and supply disruptions, not individual state policies
- Clean Fuel Standard and other climate policies in Washington are not predicted to have a significant impact on gas prices in 2023 (less than \$0.01/gal)
- Some fuel suppliers have added anticipatory surcharges to their prices in Washington, however they have not yet incurred any compliance costs, and competition is likely to drive these surcharges down over time



For more information:

Cap-and-Invest:

Luke Martland

Luke.Martland@ecy.wa.gov

(360) 764-3666

Clean Fuel Standard:

Joel Creswell

Joel.Creswell@ecy.wa.gov

(360) 972-5035